

# Department of Finance

Analyst: Freeman

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2004 Total App</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Approp</b>	<b>FY 2006 Request</b>	<b>FY 2006 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
Dedicated	3,443,800	3,338,000	3,637,100	4,479,900	4,462,200
Percent Change:		(3.1%)	9.0%	23.2%	22.7%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	2,626,000	2,473,500	2,779,800	3,644,000	3,634,300
Operating Expenditures	712,800	752,800	748,300	754,400	746,400
Capital Outlay	105,000	111,700	109,000	81,500	81,500
<b>Total:</b>	<b>3,443,800</b>	<b>3,338,000</b>	<b>3,637,100</b>	<b>4,479,900</b>	<b>4,462,200</b>
Full-Time Positions (FTP)	43.00	43.00	44.00	51.00	51.00

## Department Description

The Department of Finance regulates the enterprises in this state that provide financial services to Idaho consumers. It protects Idaho consumer buyers and borrowers against unfair lending and collection practices, and protects Idaho investors against deceptive and fraudulent investment practices.

The department is given broad discretionary authority to charter and regulate the activities of banks, bank holding companies, business and industrial development corporations, credit unions, trust companies, and savings banks. The department examines the books, records and operations of these institutions' assets, operations, and management to determine what actions the state will take to assure the safety of funds of Idaho citizens.

The Department of Finance is the licensing authority for residential mortgage brokers and bankers, regulated lenders, collection agencies and retail sellers of goods and services extending credit to their customers, securities issuers, broker/dealers, salesmen, investment advisers, endowed care cemeteries and continuing care providers. Licensing and regulation of these activities includes the review of securities offerings to ensure full disclosure, and examination of the books, records and business practices for compliance with state and federal laws, rules and regulations. The commodity code gives the department enforcement authority to resolve mortgage related consumer complaints. The department issues rulings in connection with attempts by corporations to acquire control of publicly held Idaho corporations pursuant to purchases of a controlling number of equity securities.

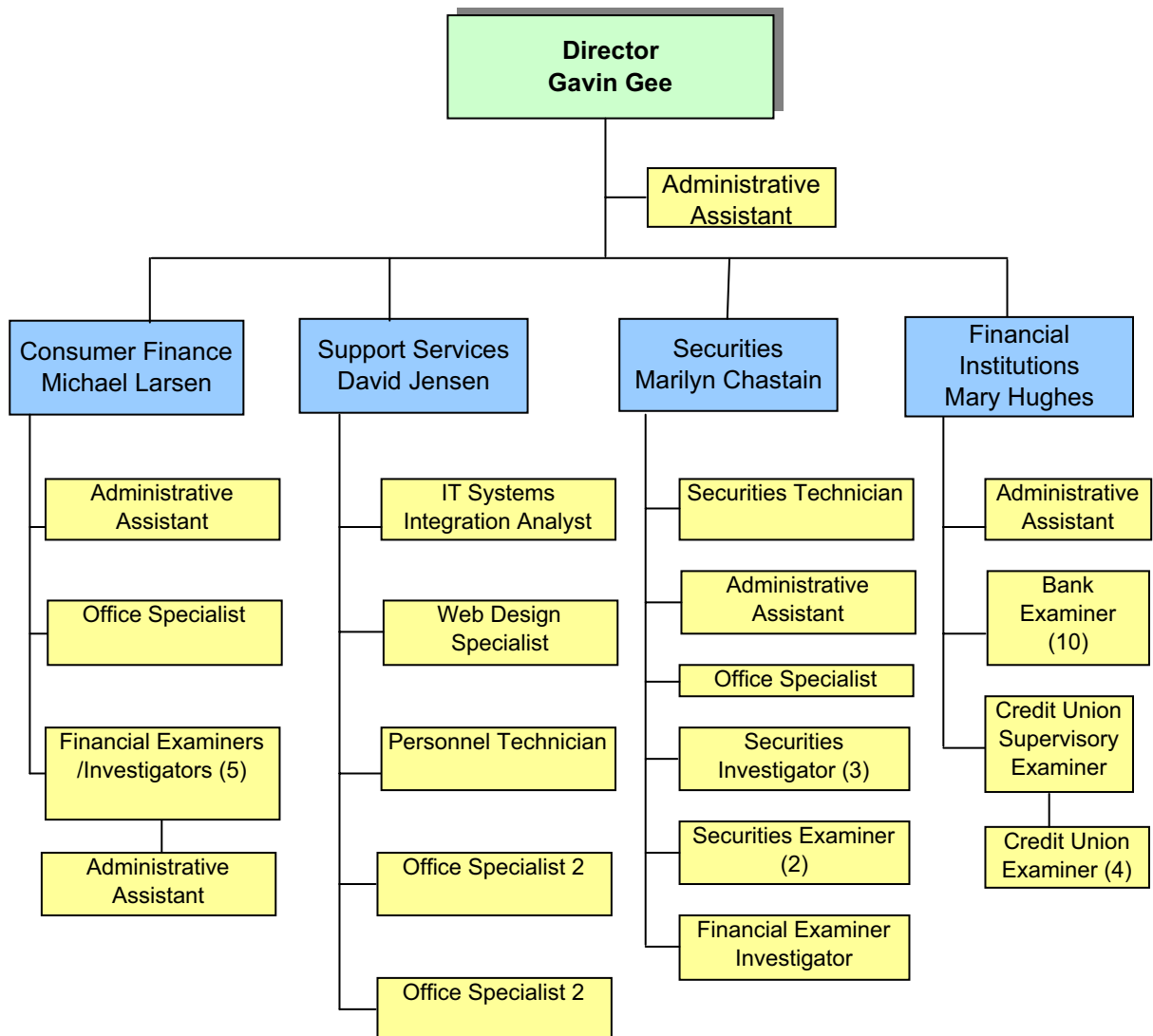
The department administers and enforces the Bank Act, Savings Bank Act, Mortgage Company Act, Business and Industrial Development Corporation Act, Credit Union Act, Idaho Credit Code, Securities Act, Commodity Code, Corporate Take-Over Laws (Idaho Control Share Acquisition Act, Idaho Business Combination Law), Collection Agency Act, Residential Mortgage Practices Act, Continuing Care Disclosure Act, and the Endowed Care Cemetery Act.

[Statutory Authority: Idaho Code §67-2701 et seq.]

# Department of Finance

## Agency Profile

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### Sources of Funds

**State Regulatory (0229):** Derived from examination or investigation fees, assessment fees, filing fees, license/permit/notification fees and forfeiture fees paid by regulated industries.

**FY 2005  
Original**

\$3,637,100

# Department of Finance

## Agency Profile

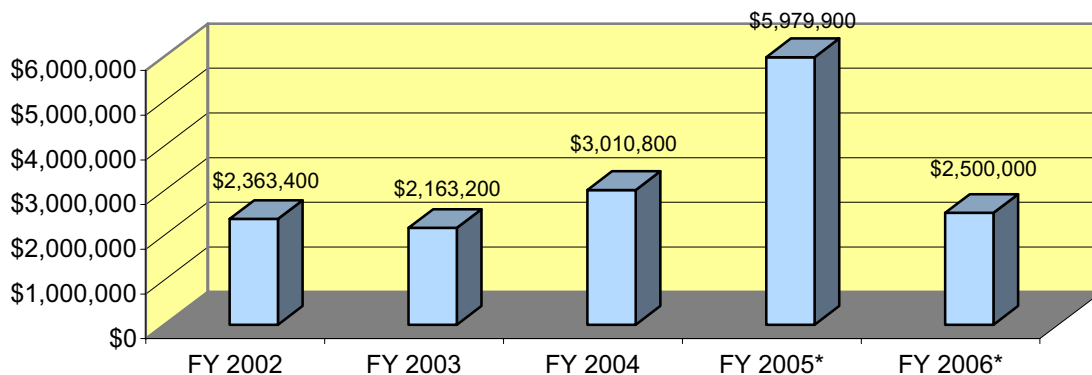
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### Selected Measures

Fiscal Year	FY 2002 Act	FY 2003 Act	FY 2004 Act	FY 2005 Est
<b>1. State chartered/licensed financial institutions examined annually</b>				
a. Banks	27	31	32	26
b. Savings banks	1	1	1	2
c. Credit unions	38	29	39	30
d. Collection agencies	31	43	41	50
<b>2. Number of entities desiring to conduct business of a financial nature licensed annually</b>				
a. Money transmitters.	40	42	42	43
b. Those extending consumer credit.	2,527	2,730	2,931	3,100
c. Collection agencies (permit renewals).	436	480	536	580
d. Solicitors/Collectors.	31,235	43,253	47,244	48,000
e. Securities broker/dealers.	1,555	1,480	1,520	1,550
f. Securities salesmen agents.	60,945	56,480	59,262	59,300
g. Securities investment advisors.	610	639	672	680
h. Securities investment advisor agents.	822	1,007	1,154	1,175
i. Residential mortgage broker/lenders.	1,150	1,372	1,541	1,700

At the beginning of each fiscal year, those moneys in the Financial Administration Account which exceed the current year's appropriation plus any residual encumbrances made against the prior year's appropriations by 25% or more shall be transferred to the general fund. Idaho Code §67-2702(2)(f)

### Transfers to General Fund



# Department of Finance

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2005 Original Appropriation</b>	<b>44.00</b>	<b>0</b>	<b>3,637,100</b>	<b>44.00</b>	<b>0</b>	<b>3,637,100</b>
HB 805 One-time 1% Salary Increase	0.00	0	23,800	0.00	0	23,800
Governor's Rescission	0.00	0	0	0.00	0	(7,400)
<b>FY 2005 Total Appropriation</b>	<b>44.00</b>	<b>0</b>	<b>3,660,900</b>	<b>44.00</b>	<b>0</b>	<b>3,653,500</b>
Removal of One-Time Expenditures	0.00	0	(166,800)	0.00	0	(161,500)
Base Adjustments	0.00	0	0	0.00	0	2,100
<b>FY 2006 Base</b>	<b>44.00</b>	<b>0</b>	<b>3,494,100</b>	<b>44.00</b>	<b>0</b>	<b>3,494,100</b>
Benefit Costs	0.00	0	43,100	0.00	0	33,400
Inflationary Adjustments	0.00	0	8,000	0.00	0	0
Replacement Items	0.00	0	53,500	0.00	0	53,500
Nonstandard Adjustments	0.00	0	(24,300)	0.00	0	(24,300)
Change in Employee Compensation	0.00	0	24,700	0.00	0	24,700
27th Payroll	0.00	0	95,900	0.00	0	95,900
<b>FY 2006 Program Maintenance</b>	<b>44.00</b>	<b>0</b>	<b>3,695,000</b>	<b>44.00</b>	<b>0</b>	<b>3,677,300</b>
1. Reclassify Positions	0.00	0	290,100	0.00	0	290,100
2. Residential Loan Originator Licensing	6.00	0	381,800	6.00	0	381,800
3. IT Programmer Analyst	1.00	0	63,000	1.00	0	63,000
4. Securities Investor Education	0.00	0	50,000	0.00	0	50,000
<b>FY 2006 Total</b>	<b>51.00</b>	<b>0</b>	<b>4,479,900</b>	<b>51.00</b>	<b>0</b>	<b>4,462,200</b>
Change from Original Appropriation	7.00	0	842,800	7.00	0	825,100
% Change from Original Appropriation			23.2%			22.7%

# Department of Finance

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2005 Original Appropriation</b>	44.00	0	3,637,100	0	3,637,100
<b>HB 805 One-time 1% Salary Increase</b>					
Agency Request	0.00	0	23,800	0	23,800
Governor's Recommendation	0.00	0	23,800	0	23,800
<b>Governor's Rescission</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends removal of funds not needed to implement HB 805. In addition, the Governor recommends removal of risk management funding in excess of needs calculated by the Department of Administration.</i>					
Governor's Recommendation	0.00	0	(7,400)	0	(7,400)
<b>FY 2005 Total Appropriation</b>					
Agency Request	44.00	0	3,660,900	0	3,660,900
Governor's Recommendation	44.00	0	3,653,500	0	3,653,500
<b>Removal of One-Time Expenditures</b>					
Removes one-time replacement costs and HB 805 One-time 1% Salary Increase.					
Agency Request	0.00	0	(166,800)	0	(166,800)
Governor's Recommendation	0.00	0	(161,500)	0	(161,500)
<b>Base Adjustments</b>					
Agency Request	0.00	0	0	0	0
<i>Restore risk management rescission to the base.</i>					
Governor's Recommendation	0.00	0	2,100	0	2,100
<b>FY 2006 Base</b>					
Agency Request	44.00	0	3,494,100	0	3,494,100
Governor's Recommendation	44.00	0	3,494,100	0	3,494,100
<b>Benefit Costs</b>					
Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates and retirement rates. Health insurance is projected to increase by 9.7% or \$632 per position. Retirement rates are scheduled to increase by 5.9% from 10.39% to 11% of salary for regular employees. Other benefit changes include a reduction in unemployment insurance rates, a reduction in Division of Human Resources rates for classified employees, and an increase in workers compensation rates.					
Agency Request	0.00	0	43,100	0	43,100
<i>The Governor does not recommend increases related to changes in the Public Employee Retirement System.</i>					
Governor's Recommendation	0.00	0	33,400	0	33,400
<b>Inflationary Adjustments</b>					
Includes a general inflationary increase of 1.3% in operating expenditures.					
Agency Request	0.00	0	8,000	0	8,000
<i>The Governor recommends no increase for general inflation.</i>					
Governor's Recommendation	0.00	0	0	0	0

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>Replacement Items</b>					
Capital Outlay: 10 PCs (\$20,000), computer equipment (\$6,000), and 1 vehicle (\$20,000).					
Operating Expenditures: software upgrades for document management, security and servers (\$7,500).					
Agency Request	0.00	0	53,500	0	53,500
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>53,500</i>	<i>0</i>	<i>53,500</i>
<b>Nonstandard Adjustments</b>					
The Statewide Cost Allocation Plan assesses state agencies for their actual use of Attorney General, State Controller and State Treasurer services. Also included are changes in property and casualty insurance premiums by the Department of Administration.					
Agency Request	0.00	0	(24,300)	0	(24,300)
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>(24,300)</i>	<i>0</i>	<i>(24,300)</i>
<b>Change in Employee Compensation</b>					
Reflects the cost of a 1% salary increase for permanent.					
Agency Request	0.00	0	24,700	0	24,700
<i>The Governor recommends a compensation increase of 1% to be distributed based on merit. No adjustment to the pay line is recommended.</i>					
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>24,700</i>	<i>0</i>	<i>24,700</i>
<b>27th Payroll</b>					
Reflects the cost of one additional payroll in fiscal year 2006. This happens every eleven or twelve years because there are 364 days in 26 payperiods but a year has 365.242 days.					
Agency Request	0.00	0	95,900	0	95,900
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>95,900</i>	<i>0</i>	<i>95,900</i>
<b>FY 2006 Program Maintenance</b>					
Agency Request	44.00	0	3,695,000	0	3,695,000
<i>Governor's Recommendation</i>	<i>44.00</i>	<i>0</i>	<i>3,677,300</i>	<i>0</i>	<i>3,677,300</i>
<b>1. Reclassify Positions</b>					
This enhancement would authorize the department to pursue reclassification of all financial institution examiner positions at higher pay grades. The department has experienced significant turnover in the last several years due primarily to greater salary opportunities with federal regulators, other state regulators and private industry. The department estimates it costs approximately \$260,000 to train an examiner to the commissioned level.					
Agency Request	0.00	0	290,100	0	290,100
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>290,100</i>	<i>0</i>	<i>290,100</i>
<b>2. Residential Loan Originator Licensing</b>					
In 2004 the legislature passed S1389 to regulate mortgage loan originators. This legislation included a loan originator licensing fee to support the administration of the program. This enhancement would provide three examiner/investigator positions, one administrative assistant position and two office assistant positions to enable the department to implement the Idaho Residential Mortgage Practices Act.					
Agency Request	6.00	0	381,800	0	381,800
<i>Governor's Recommendation</i>	<i>6.00</i>	<i>0</i>	<i>381,800</i>	<i>0</i>	<i>381,800</i>
<b>3. IT Programmer Analyst</b>					
This enhancement would provide for one information technology programmer analyst position. Currently, the department has an IT staff of two. The department's IT staff is experiencing an increase in demand for day-to-day technical support, which precludes them from concentrating on more complicated IT projects.					
Agency Request	1.00	0	63,000	0	63,000
<i>Governor's Recommendation</i>	<i>1.00</i>	<i>0</i>	<i>63,000</i>	<i>0</i>	<i>63,000</i>

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<b>4. Securities Investor Education</b>					
This enhancement would provide the department with spending authority for the Securities Investor Education and Training Fund, which was created in the newly enacted Uniform Securities Act of 2004. As its name would suggest, this fund was established to support investor education initiatives to address the continuing problem of investment fraud.					
Agency Request	0.00	0	50,000	0	50,000
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>50,000</i>	<i>0</i>	<i>50,000</i>
<b>FY 2006 Total</b>					
Agency Request	51.00	0	4,479,900	0	4,479,900
<i>Governor's Recommendation</i>	<i>51.00</i>	<i>0</i>	<i>4,462,200</i>	<i>0</i>	<i>4,462,200</i>
Agency Request					
Change from Original App	7.00	0	842,800	0	842,800
% Change from Original App	15.9%		23.2%		23.2%
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>7.00</i>	<i>0</i>	<i>825,100</i>	<i>0</i>	<i>825,100</i>
<i>% Change from Original App</i>	<i>15.9%</i>		<i>22.7%</i>		<i>22.7%</i>